

## MEMORANDUM

**To:** Housing and Community Development Committee  
**From:** Judy Daniel, Planning and Development Director  
**Prepared By :** Randy Stallings, Community Development Analyst  
**Date:** January 28, 2009  
**Subject:** Housing Trust Fund Loan Modification Request- Bostic Place

### Background:

Since 2004, the City has provided two (2) Housing Trust Fund loans totaling \$378,750 for the development and sale of eleven (11) affordable units at Bostic Place in the Shiloh area. The first HTF loan in 2004 was in the amount of \$218,750 and required 7 seven (7) affordable units. The 2<sup>nd</sup> HTF loan was approved in 2008 and required four (4) additional units. The proposed units are single-family modular construction. To date, \$93,750 has been repaid and three (3) of the units promised in Phase I have been completed and sold. Construction is currently behind schedule; however, the developer does anticipate that the project will be completed within the next 12 months.

### Summary:

The developer, JCS Investments, has requested that they be allowed to sell three (3) of the proposed lots to Habitat for Humanity for completion and subsequent sale to affordable buyers. Habitat would complete the homes as stick-built construction; however, the design would conform well to the existing neighborhood. In exchange for agreeing to the release of these lots from the Housing Trust Fund collateral, the City would receive a release fee equal to 1/7<sup>th</sup> of the original loan amount for Phase I plus outstanding interest. This would generate an estimated \$96,250 in program income.

In this scenario, it could be assumed that Habitat will retain the affordability provisions originally agreed to by the developer. In addition, the developer would only need to complete one additional unit to satisfy the first HTF lien. The remaining four (4) units secured by the second HTF loan would be completed as originally agreed and released as they are sold.

### Benefits:

- ? Returns \$96,250 to the Trust Fund for reinvestment in other projects.
- ? Allows the developer to more quickly complete the project.
- ? Purchase by Habitat ensures that the homes are sold to income-qualified families.

**Concerns:**

- ? The current maturity date on Phase I will need to be extended.
- ? Once the lots are released, the City no longer has the ability to monitor affordability.
- ? The project has endured numerous delays, but does appear to be ready to proceed.

**Fiscal Impact:**

No negative fiscal impact is anticipated. The receipt of the release fees will increase the balance in the Trust Fund by approximately \$96,250.

**Recommendation:**

Staff recommends that the developer be allowed to sell Lots 1, 2, and 3 of the Bostic Place Development to Habitat for Humanity in exchange for an equitable release fee on each lot.